

An aerial photograph of the San Diego Ship Repair facility, a large industrial complex with numerous ship repair bays and cranes, situated along the waterfront. The facility is connected to the city by a long, elevated bridge with multiple concrete piers. The San Diego skyline, including the Petco Park stadium, is visible in the background under a dramatic, cloudy sky at dusk or dawn. The water in the foreground is a deep blue-green, and the bridge deck is a light blue color.

BAE SYSTEMS

San Diego Ship Repair

2017 Annual Sustainability Booklet



Letter from **David M. Thomas, Jr.**, San Diego Ship Repair's vice president and general manager

The roots of BAE Systems San Diego Ship Repair date back to the mid-1970s. Over time, we have thrived as one of the top Master Ship Repair sites in San Diego by servicing U.S. Navy ships at our shipyard, at the Naval Station San Diego, and at neighboring shipyards. We repair, overhaul, and modernize both non-nuclear Navy ships and commercial vessels.

While providing the best, most efficient service to our customer is our core mission, we are proud of not only what we do, but how we do it.

We are committed to working to high safety standards. We encourage our employees to speak up if they see something unsafe and we facilitate a respectful and responsible work environment.

In addition, we are committed to minimizing the environmental impact of our operations. From the energy and resources that we use to the waste that we generate, our operations have an effect on the environment.

Moreover, we are committed to making a positive contribution to the communities where we live and work through implementing our corporate responsibility program. We support more than 40 organizations in San Diego County.

I welcome your comments and ideas as we continue our journey. Please enjoy reading our inaugural sustainability booklet.

Very Respectfully,

David M. Thomas, Jr.



2017 Year in Review

- We appointed a new vice president and general manager
- We installed a new dry dock and made pier improvements to support the U.S. Navy's increased focus on Asia-Pacific operations
- We serviced 36 Navy surface combatant ships and one commercial vessel
- We moved forward with our sustainability action plan and saw improvements to our culture
- We supported more than 40 non-profit organizations in San Diego

Economic Impact

BAE Systems San Diego Ship Repair has a total economic impact* of:

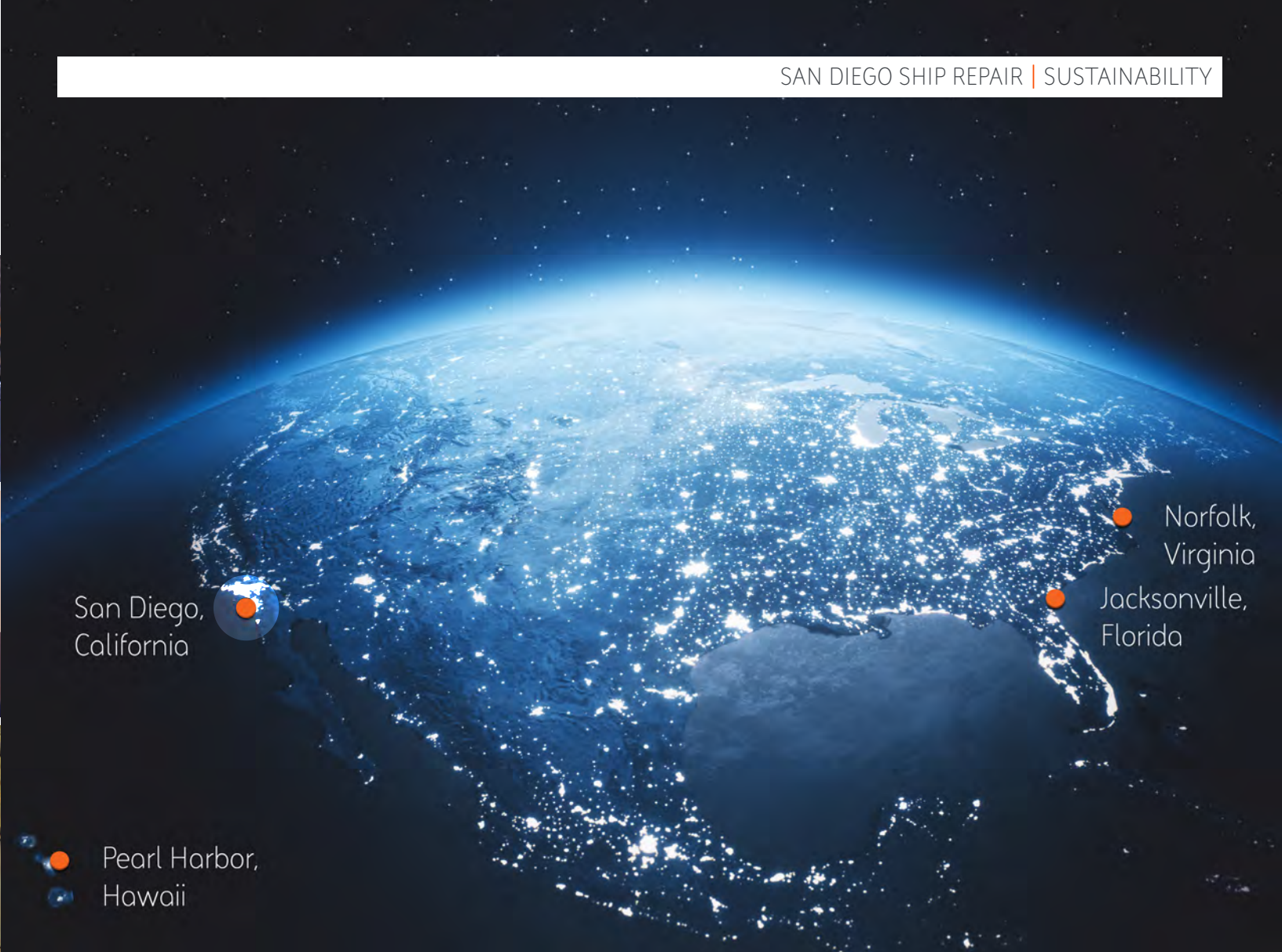
- \$962 million of sales flowing into the San Diego region from our business, our employees, and companies we do business with such as vendors and subcontractors.

*According to the San Diego Regional Economic Development Corporation's research

Our Values

Our core values are safety and respect in the workplace. Every employee has the right to voice their concerns or stop working if they see something that is unsafe. All employees are encouraged to report unsafe conditions and we are constantly looking for ways to improve our processes and capabilities.

Employers are expected to treat all people with dignity and respect. Employees have the right to report conduct that contradicts respectful workplace behaviors to a supervisor, Human Resources, or a local Ethics officer. We also have an anonymous Helpline (888-306-7330). Our management team welcomes employee input and will promptly review reported concerns.



Business Overview

BAE Systems Ship Repair is a leading provider of non-nuclear ship repairs, modernization, conversion, and overhaul for the U.S. Navy and other customers. Our business has four core shipyards located in major Navy ports, including Jacksonville, Florida; Norfolk, Virginia; Pearl Harbor, Hawaii; and San Diego, California.

Our San Diego Ship Repair (SDSR) facility is located in the U.S. Navy's largest Pacific port, encompassing 15 acres of property and more than 24 acres of water area on San Diego Bay. SDSR is one of the top Master Ship Repair companies in San Diego that have been awarded repair contracts for non-nuclear surface ships.

SDSR is part of BAE Systems Platforms & Services sector, which employs more than 11,000 people in the United States and reported \$3.469 billion in revenue in 2017.



Environmental Programs

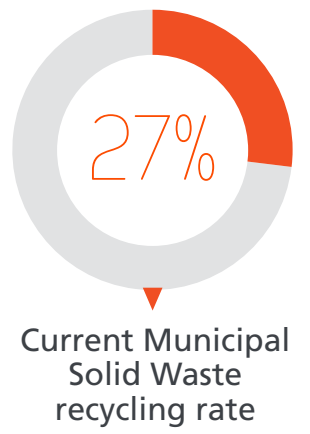
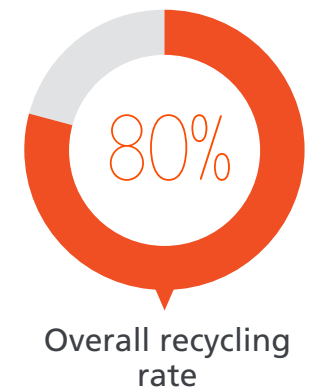
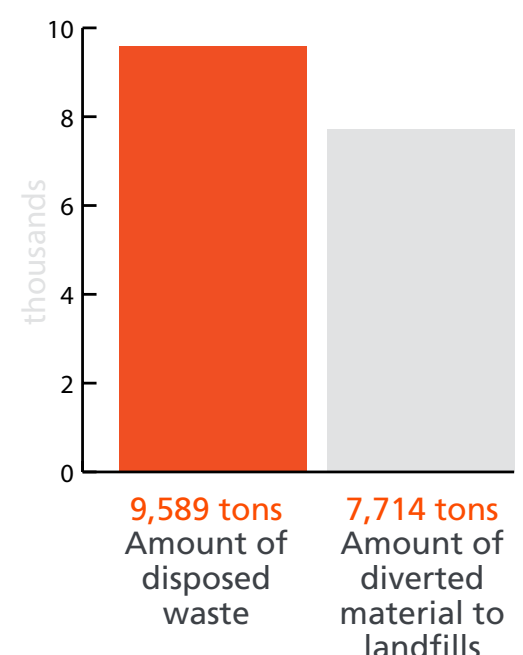
We are committed to taking proactive measures to reduce the environmental impact of our operations and helping our customers and suppliers do the same.

Cultural Changes

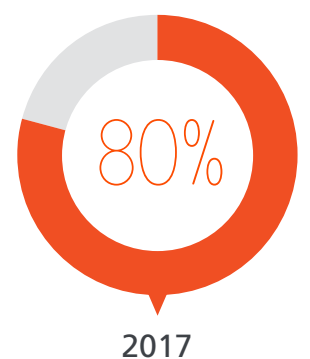
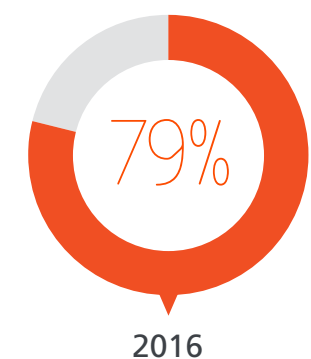
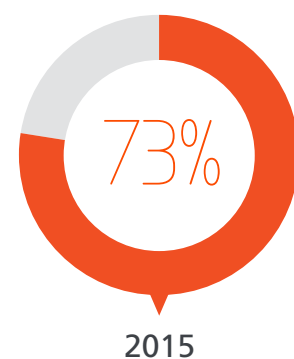
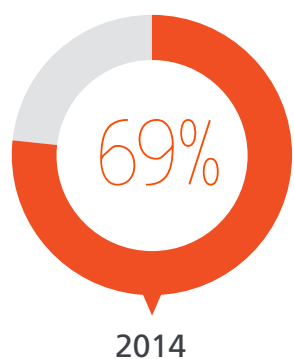
- Increased recycling by more than 60 percent in our production areas by adding 19 recycling bins on site
- Implemented a Recycling Champions program that used graphics to encourage employees to recycle
- Reduced facility-wide disposable cup usage by 65 percent since 2015



Waste Reduction



Historical Recycling Rate Increases



Water Conservation

- Used 254,480 gallons of saltwater, rather than potable water, to clean our two dry docks
- Minimized our use of water by installing low flow faucets and toilets in all restroom remodels

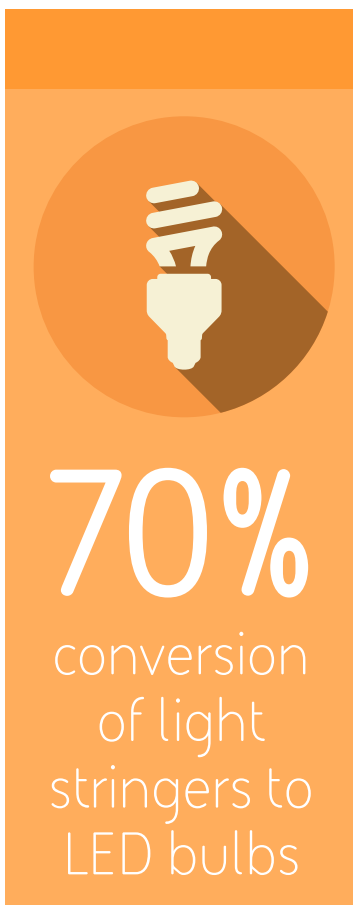


Green Transportation

- Added two electric GEM cars
- Delivered in April 2018 a new all-electric truck
- Hosted an event to encourage mass transit use with SANDAG, the metropolitan planning organization for San Diego County, and iCommute, SANDAG's Transportation Demand Management program.

Energy Efficiency

- Overall, our reduced energy saved 521 metric tons (mt) of CO₂, which is equivalent to taking 112 automobiles off the road annually.



The 2017 Port of San Diego Green Business Network Sustainable Achievement Award Winners at the USS Midway Museum

Environmental Compliance

- We invested nearly \$500,000 to comply with environmental laws and regulations last year
 - All storm water at the shipyard is collected, treated, and discharged to the sewer system rather than to San Diego Bay
 - Upgrades increased our capacity to collect and store rainwater for larger rain events
- Our environmental compliance program includes a detailed plan, staff training, monitoring, and performance evaluation
- Our environmental management system has been certified to the ISO 14001 standard for more than ten years
- Last year, we were the first BAE Systems' shipyard to certify our system to the new ISO 14001: 2015 standard



Biodiversity

We are committed to protecting and preserving biodiversity in the San Diego Bay. In 2016, we planted and restored more than four acres of eel grass in south San Diego Bay. It is healthy and continues to be monitored.

We partner with a local non-profit, Project Wildlife, when injured wildlife appears within our facility. Project Wildlife treats and rehabilitates animals before releasing back in the wild.



2017 Awards and Recognition

- Earth Day Award presented by County of San Diego and Industrial Environmental Association
- Sustainable Achievement Award for Waste Reduction presented by Port of San Diego Green Business Network
- Offering Employees Alternative Transportation Options (bronze tier) presented by SANDAG



Community Engagement



More than **40** organizations
& events supported

"On behalf of I Love a Clean San Diego, I wanted to thank you for this year's partnership for our 16th Annual Creek to Bay Cleanup. Your donation of staff and much needed funds helped us coordinate 116 cleanup sites throughout San Diego County."

– Michael Johnson

Director of Philanthropy, I Love A Clean San Diego

Community support

We partnered with Habitat for Humanity to build a multi-family complex in Logan Heights.

Educational support

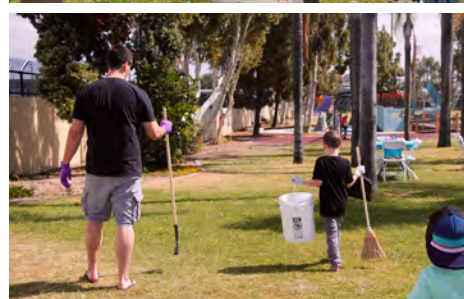
We partnered with San Diego Ship Repair Association to donate toys to the Logan Heights and Sherman Elementary Schools.

Environmental support

We channelled our appreciation for San Diego's environment and put it into action at the Creek to Bay Cleanup. In 2017, about 6,000 volunteers from the local community and our company collected approximately 170,000 pounds of litter.

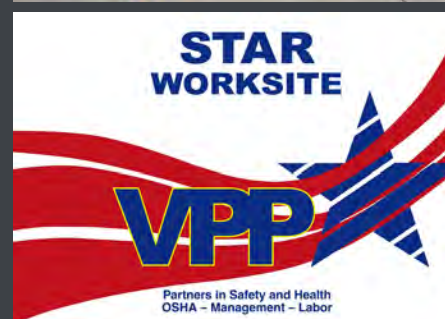
Military support

We partnered with BAE Systems' Electronic Systems division in Rancho Bernardo to support Operation Homefront, providing more than 500 bicycles to military families.



Safety

- We are **17.4 percent below** the shipbuilding and ship repair industry's average rate for Occupational Health and Safety Assessment (OSHA) recordable injuries.
- Our workers are in an industrial environment, so before our crews head out to work for the day, we hold Morning Musters to discuss safety and we conduct weekly **safety "Toolbox Talks" meetings**.
- We operate our business with a formal process for hazard identification, risk assessment and controls to ensure that we are effectively managing workplace and safety hazards. This framework provides employees with the ability to perform job hazard analysis with a **focus on reducing risk**.
- **Safety best practices** are shared within and across all of BAE Systems' shipyards in America.
- We are **certified with OSHAS 18001**, Occupational Health and Safety Assessment Series, which holds the standard for our safety management system and addresses compliance requirements.
- We are an **OSHA VPP Star Site**.
 - Out of America's 150 shipyards, only 10 shipyards are designated as an OSHA VPP Star Site (two belong to BAE Systems: San Diego Ship Repair and Norfolk Ship Repair).



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